

Message Text

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DRAFTED BY EXIM BANK:JLENTZ
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AF/C:ED MARKS
AF/EPS:FTHOMAS (SUBS)
EXIM:JMOORE

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TO AMEMBASSY KINSHASA PRIORITY

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E.O. 11652:N/A

TAGS: EFIN, ENRG, CG

SUBJECT:EX-IM DISBURSEMENTS FOR INGA-SHABA PROJECT

REF: KINSHASA 7029

1. SUMMARY:

EX-IM BANK'S BOARD OF DIRECTORS REVIEWED STATUS OF
INGA-SHABA PROJECT AND ESTABLISHED CONDITIONS FOR FURTHER
DISBURSEMENT OF FUNDS JULY 28. BOARD MEMBERS, AND BANK
STAFF ALSO HELD COMPREHENSIVE DISCUSSION OF PROJECT
WITH MORRISON-KNUDSEN REPS JULY 29. SUBSTANCE OF
DECISION REACHED BY EXIMBANK BOARD IS TO RENEW DISBURSE-
MENT CONTINGENT UPON GOZ BECOMING AND REMAINING
CURRENT ON OBLIGATIONS TO EXIMBANK AND ITS GUARANTEED
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LENDERS. END SUMMARY

2. EXIMBANK BOARD OF DIRECTORS REVIEWED STATUS OF
INGA-SHABA PROJECT AND ESTABLISHED CONDITIONS FOR
FURTHER DISBURSEMENT OF FUNDS. BOARD MEMBERS AND STAFF
ALSO MET WITH MORRISON-KNUDSEN REPS ON JULY 29.

3. EXIM BANK AWARE CURRENT STATUS OF PROJECT AND MORRISON-KNUDSEN NEED FOR NEAR TERM DISBURSEMENT OF FUNDS. M-K CURRENTLY HAS APPROXIMATELY DOLS 10.0 MILLION REMAINING FROM 11.5 MILLION REVOLVING FUND WITH WHICH TO FINANCE PROJECT IN ABSENCE OF FUTURE DISBURSEMENT OF FUNDS BY EXIM BANK. COMMITMENTS FOR EQUIPMENT AND MATERIAL TOTAL DOLS 2.5 MILLION LEAVING 7.5 MILLION BALANCE WHICH M-K MAINTAINS IS REQUIRED TO FUND OPERATING EXPENSES OF PROJECT UNTIL MAY 1978. NONETHELESS, IF EXIM BANK FUNDS NOT MADE AVAILABLE SOMETIME IN AUGUST 1977, M-K WOULD COMMENCE TO PUT PROJECT INTO MOTHBALL OR MAINTENANCE STATUS. EXIM BANK OFFICIALS CAUTIONED THAT US COSTS OF WINDING PROJECT DOWN ARE NOT IN PROCUREMENT PLAN FOR WHICH EXIM BANK FINANCING AVAILABLE AND, THEREFORE, WOULD PROBABLY NOT BE ELIGIBLE FOR FINANCING UNLESS SPECIFIC APPROPRIATION GIVEN.

4. CONCERNING LOCAL COST FINANCING M-K REPRESENTATIVES STATED IT HAD RECEIVED 3.5 MILLION ZAIRES FROM GOZ IN 1977 WITH AN ADDITIONAL 1.0 MILLION ZAIRES IN NEAR FUTURE. THIS REPRESENTS SUBSTANTIAL SHORTFALL FROM 1.0 ZAIRES PER MONTH PAYMENT PROMISED BY GOZ AND INCLUDED IN 1977 GOZ BUDGET AS CONDITION OF EXIM BANK OVERRUN FINANCING APPROVED IN APRIL 1976. SPENSER STATED M-K IS ON "RAGGED EDGE" CONCERNING LOCAL COSTS AVAILABLE AND ONLY MANAGES TO CONDUCT OPERATIONS BY ACCUMULATION OF LARGE ACCOUNTS LIMITED OFFICIAL USE

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PAYABLE WHICH ARE MAINLY OWING OTHER GOZ AGENCIES. EXIM BANK OFFICIALS EXPRESSED CONCERN ON THIS POINT AND INDICATED THAT IF REQUEST OF ADDITIONAL INGA-SHABA PROJECT IS SUBMITTED BANK MAY TIE DISBURSEMENTS OF US FUNDS MORE CLOSELY TO THOSE OF LOCAL CURRENCIES. ABOVE ACTION BY EXIM BANK DOES NOT MEAN BANK HAS ABANDONED ITS CONCERN ON COMPARABILITIES OF TREATMENT BETWEEN PUBLIC AND PRIVATE EXPOSURE UNDER VARIOUS PARIS CLUB AND LONDON CLUB ARRANGEMENTS. THIS CONCERN IS A CONTINUING ONE WHICH CANNOT BE RESOLVED. THIS EXIM CONCEPT WILL BE DEVELOPED FURTHER IN SEPARATE MESSAGE.

5. M-K INFORMED THAT CONDITION OF DISBURSEMENT OF ANY ADDITIONAL EXIM BANK FINANCING FOR PROJECT IS THAT BANK'S EXPOSURE UNDER BOTH LOANS AND GUARANTEES ON CREDITS INVOLVING GOZ AS BORROWER OR GUARANTOR BE BROUGHT CURRENT. SPECIFICALLY, THIS INVOLVES PAYING FULL REPEAT FULL AMOUNT DUE JULY 1 UNDER 75-76 PARIS CLUB RESCHEDULING AND ANY INTEREST DUE SINCE THAT TIME, THE LATTER NOT BEING SUBJECT TO 1977 PARIS CLUB RESCHEDULING. BANK PLEASED TO ACKNOWLEDGE RECEIPT JULY 27 OF 2,459,404.73 DOLS WHICH IS FIFTY PERCENT OF JULY 1 RESCHEDULING INSTALLMENT. REMAINING AMOUNT

STILL OWING PLUS INTEREST DUE JULY 15 ON CREDIT
2939 FOR SATELLITE GROUND STATION OF 34,806.37 AND
INTEREST DUE ON SAME DATE UNDER CREDIT 3213 FOR
GOODYEAR PLANT OF 10,592.88 TOTALS DOLS 2,504,803.98
WHICH MUST BE PAID BY GOZ BEFORE BANK WILL RELEASE
INGA-SHABA FUNDS. EMBASSY SHOULD ALSO NOTE THAT
INTEREST PAYMENTS DUE EXIM BANK AND ITS GUARANTEED
LENDERS ON AUGUST 10 TOTAL APPROXIMATELY 11.9 MILLION
DOLS, OF WHICH 2.6 MILLION DOLS OWING UNDER PAYMENT
FACILITY AND 9.3 MILLION DOLS DUE ON OTHER CREDITS.
PLEASE ADVISE GOVERNOR SAMBWA OF THESE AMOUNTS
ASAP.

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6. EXIM BANK OFFICIALS REQUESTED THAT M-K DEVELOP
INFORMATION FOR THOROUGH PROJECT REVIEW INCLUDING
PROJECTED COSTS NECESSARY TO CONTINUE ON CURRENT
LEVEL OF ACTIVITY OR FASTER, MORE ECONOMIC LEVEL;
ECONOMIC JUSTIFICATION FOR PROJECT AT PRESENT TIME;
AND CONSEQUENCES OF SUSPENSION OF ACTIVITY M-K
REPS INDICATED INFO COULD BE PROVIDED BY PROJECT
DIRECTOR ADAMS WHO PLANS VISIT TO US AUGUST 7 TO 15 OR
IN CONJUNCTION WITH REQUEST FOR ADDITIONAL FINANCING.

7. EXIM BANK FULLY AWARE OF UNDESIRABLE CONSEQUENCES
WHICH COULD RESULT IF NO ADDITIONAL DISBURSEMENTS
FORTHCOMING YET BANK SEES NO ALTERNATIVE BUT TO
CONTINUE WITH POSITION IT HAS TAKEN MANY TIMES IN
THE PAST -- THAT IT WILL NOT DISBURSE IN FACE OF
DEFAULT BY A BORROWER OR GUARANTOR. CONSEQUENTLY,
IN ORDER TO AVOID DISRUPTION OF PROJECT, IT IS
IMPERATIVE EXIM BANK RECEIVE ABOVE DOLS 2,504,803.98
PRIOR TO AUGUST 5 TO PERMIT DISBURSEMENT TO M-K BEFORE
AUGUST 10, FOLLOWING WHICH 11.9 MILLION DOLS FALL
DUE. BANK TRUSTS THIS CAN BE PORTRAYED TO GOZ AS
CLEARLY AS POSSIBLE. VANCE

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